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RUEHBJ/AMEMBASSY BEIJING 0063
RUEHCN/AMCONSUL CHENGDU 1016
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E.O. 12958: DECL: 01/11/2032
TAGS: [ECON](#) [EWWT](#) [PREL](#) [HK](#)
SUBJECT: SFI: HKG CONFIRMS JANUARY 25 MEETING

REF: A. 2006 SECSTATE 204165
[1](#)B. 2006 HONG KONG 4473
[1](#)C. 2006 HONG KONG 4611
[1](#)D. 2006 HONG KONG 4569

Classified By: Deputy Principal Officer Marlene Sakaue, reasons 1.4 b a
nd d.

[1](#)1. (C) During a January 12 meeting with DPO Sakaue, Trade and Industry Department (TID) Director General Joseph Lai (who assumed office on January 5) confirmed that the HKG would host U.S. - Hong Kong discussions on Secure Freight Initiative (SFI) on January 25 (reftel A). Assistant Director General Erica Ng added that the HKG delegation would be available to begin discussions in the morning of the 25th, and depending on how the discussions proceeded, would also be available to continue discussions in the afternoon. During November 6 meeting, which Lai emphasized that the HKG viewed as a "fact finding" session, the U.S. delegation provided useful information regarding the SFI and Hong Kong's possible participation as a "limited capacity" pilot (reftel B), which had aided the HKG's consideration of the USG proposal. As a major transportation hub, Hong Kong is very supportive of counterterrorism measures, but remains cognizant of the need for efficient port operations and the smooth flow of trade. Lai stated that the HKG views the January 25 meeting as an opportunity to "see how Hong Kong can move forward on SFI."

[1](#)2. (C) DPO Sakaue noted that the HKG had provided a series of questions in advance of November 6 meeting, which allowed the USG delegation to better respond to HKG's concerns, and asked whether the HKG would prepare a list of questions/issues in advance of the January 25 meeting. Lai responded that the HKG is still conducting the in-house preliminary review of SFI and thus had not completed a full list of questions. Lai cited the following as major areas of concern that should be discussed at the January 25 meeting:

--Scope of Hong Kong's participation in the SFI. The USG proposed that Hong Kong participate in the SFI in "limited capacity." Hong Kong's Port handles a very high volume of containers with high turnover rates and mid-stream, berthside as well as trucking operations. What does participation in a "limited capacity" mean in practical terms for Hong Kong?

--Incoming containers to Hong Kong's port are primarily transported on trucks. Truck drivers will have to drive through the scanning and monitoring portals, possibly quite frequently. The HKG anticipates that truckers will raise health issues?

--The capturing, sharing and use of data by the system. How will the data be shared between Hong Kong and the U.S., and how will the U.S. use the data?

--SFI is a voluntary initiative. How do we encourage business/traders to take part? Are there incentives to take part? How does cargo scanning in Hong Kong help speed up processing when the cargo arrives in United States?

13. (C) DPO asked Lai to elaborate further on HKG's concerns about data sharing. Noting positive, strong and constructive HKG-USG collaboration on customs matters, Lai responded that in the Container Security Initiative (CSI), U.S. Customs and Border Protection officers and Hong Kong Customs officers share information, as well as discuss cooperation and actions on a case-by-case basis. The two sides sit together to discuss how to act/resolve individual cases and sharing of data is done on a case-by-case basis in enforcing the law. Lai asked whether the data sharing framework he described for CSI would also apply to SFI. He noted that in SFI, the sharing of data appeared automatic. The HKG would like USG clarification of this issue. Would Hong Kong's participation as a "limited capacity" pilot affect this data sharing process.

14. (C) In response to the DPO's query about the HKG's thoughts on dealing with the data sharing question, Lai

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responded that the January 25 meeting would be the proper venue to discuss the issue in detail. Lai added that sharing of information on a case-by-case basis is more in line with the current mode of operations under CSI. If SFI proposes to change the way information is shared, both sides would need to discuss this more fully, Lai stated. The experts can discuss this on the 25th.

15. (C) Lai thanked the DPO for providing a preliminary list of U.S. delegates. He stated that the HKG would have delegates from TID and Hong Kong Customs. Lai stated that he would attend the opening/introductory session on the 25th and then turn over detailed discussion to Deputy Director General Clement Leung.

16. (C) Comment: Commerce, Industry and Trade Department Permanent Secretary Choi had indicated earlier (reftels C and D) that the HKG was developing some innovative solutions to address the concerns about "legal and jurisdictional" issues identified during its internal review. New to his position, Lai reiterated general descriptions of the issues under HKG consideration. While we had hoped to gain further information about the HKG's thinking in advance of the end-January discussion, TID was not prepared to share more details at this time. Since the HKG has offered to continue discussion in the afternoon, we should make full use of the January 25 session to move the process forward.

Cunningham